

**UNEP HIGH-LEVEL MEETING ON "DEVELOPING MUTUALLY
SUPPORTIVE TRADE AND ENVIRONMENT POLICIES"
BERLIN, 20-22 MARCH 2001**

CHAIRMEN'S SUMMARY

Communication from UNEP

I. BACKGROUND

1. Under the auspices of the United Nations Environment Programme (UNEP) and the German Federal Ministry for Environment, Nature Conservation and Nuclear Safety (BMU), ministers and high-level environment and trade officials from over 70 countries, as well as representatives of intergovernmental organizations including the World Trade Organization (WTO) and four multilateral environmental agreements (MEAs), and civil society met in Berlin from 20-22 March 2001 to discuss the linkages between environment, trade and sustainable development.

2. The high level segment of the meeting was co-chaired by Dr. Klaus Töpfer, UNEP's Executive Director, and H.E. Mr. Jurgen Trittin, Minister of the Federal German Environment Ministry. Ministerial roundtables on coherence between trade and environment policies at the national and international level were chaired respectively by H.E. Mr. Jan Pronk, Minister of Housing, Spatial Planning and Environment of the Netherlands, and H.E. Mr. Dato Law Hieng Ding, Minister of Science, Technology and Environment of Malaysia. The high-level segment was preceded by two days of presentations, discussions and working groups on the use of environmental and integrated assessments of trade liberalization and other trade-related policies, and the relationship between MEAs and the WTO. The following are the main outcomes of the discussions.

3. Since 1950, the global economy has more than quintupled in size, with world exports increasing over the past 50 years from about US\$350 billion in 1950 to US\$5.46 trillion in 1999 (WTO, 2000). In view of today's rapid expansion of world trade, a greater understanding of the linkages between trade, environment and development is needed.

4. Trade and trade liberalization policies in general offer opportunities for economic growth. Trade creates increased incomes, more consumer choice, higher employment, and promotes investment and technology transfer. Economic growth can also help countries, particularly developing countries, to enhance their capacity to address environmental problems. However, the benefits accruing from trade and trade liberalization policies have not always been equitably shared between countries and, in some cases, have in combination with other factors increased environmental degradation and poverty. Unless the environmental and social impacts of trade liberalization and trade-related policies are taken into account and negative impacts mitigated, the gains from trade may be offset by environmental degradation, social impacts and loss of public support for trade liberalization.

5. The demonstrations in Seattle, Washington, Prague and Davos show that many people feel threatened by trade liberalization. Consistent with the preamble of the Marrakesh Agreement, environmental considerations need to be taken into account in the negotiations of trade agreements.

Different views about the modalities for achieving this goal were expressed and need to be further explored. There is a need for the political will and active commitment on the part of governments to develop efficient rules, mechanisms and best practices, including further enhancing transparency of the WTO, that ensure that international trade contributes to economic growth and development while minimizing negative social, cultural and environmental consequences.

II. INTEGRATION OF ENVIRONMENT AND TRADE POLICIES

6. In order to maximize the benefits of trade and trade liberalization and achieve sustainable development, environmental imperatives should be integrated in trade policies. It is therefore essential that environmental policies be taken into account in the development of trade liberalization policies, first and foremost at the national level, as well as the regional and international level. Furthermore, trade and development effects on developing countries should be taken into account when designing environmental policies, as appropriate, and potential synergies and win-win scenarios which combine trade, environment and development objectives need to be realised.

7. The Rio principles provide the core for achieving sustainable development. Sincere attempts should be made to operationalize the Rio principles, including those related to the polluter pays principle, common but differentiated responsibility and the precautionary approach while giving due consideration to the conditions and development priorities of developing countries.

8. In recent years, commodity prices have declined, thus reducing export earnings of resource dependent developing countries, which has contributed to increased pressures on natural resources to meet foreign exchange needs. One of the reasons contributing to this price trend is the subsidization of sectors like agriculture and fisheries, which evidence suggests have environmental and trade implications. Efforts should be made to identify and reduce environmentally adverse and trade-distortive subsidies, and design policies to reform them.

9. Market access and the ability of all countries to compete in international markets has been one of the main concerns, particularly of developing countries. Environmental standards should not be used as a protectionist measure. Furthermore, efforts should be made to enhance the capacities of countries so that they can diversify their exports, and access and compete in international markets on an equitable basis. Enhancing market opportunities for environmentally friendly products, particularly those from developing countries, would contribute to sustainable development.

10. The widening technology gap between developed and developing countries needs to be addressed if developing countries are to be integrated in world trade and achieve sustainable development. Increased access to environmentally sound technologies and enhancing the capacities of developing countries to develop and adapt technologies to meet their own requirements and development priorities should be included in the capacity building packages provided to developing countries. Practical modalities to achieve this need to be put in place.

11. Due to market and policy failures, current market prices do not always reflect the real value of traded commodities, nor the use of natural and environmental goods and services. Policies that internalize environmental costs should be developed and applied in order to capture the real value of producing and consuming products. In view of the cost and market access implications of internalizing environmental costs, operational modalities for realizing this objective need to be put in place.

III. INTEGRATED ASSESSMENT AS A TOOL TO ACHIEVE COHERENCE AT THE NATIONAL LEVEL

12. A number of tools have been developed to assist policy- and decision makers in formulating options required to achieve sustainable development. Integrated assessment is one such tool that

provides a balanced approach for addressing environmental, social and economic considerations based on countries' environmental and developmental priorities. Further efforts need to be devoted to developing and testing this and other methodologies at the national level, while exploring the possibility of extending such assessments at the regional, sub-regional and international levels.

13. Assessments should adopt an integrated approach to include environmental, social and economic aspects. They should be country led, and the selection of assessment methodologies should be determined by countries at the national level. The social dimension of assessments includes issues related to poverty alleviation, equity considerations and health aspects. In order to promote a sense of constructive dialogue and cooperation to address collectively the challenges of sustainable development, there is a need for a transparent, participatory process involving all stakeholders.

14. There is a need to promote awareness of the linkages between trade, environment and development. Environmental and social considerations should be taken into account in trade policy formulation, and consideration should also be given to the trade and developmental implications of environmental policies and agreements. Information dissemination of country experiences, best practices of assessment methodologies, approaches and policies which promote win-win scenarios between environment, trade and development should be encouraged.

15. It was acknowledged that the requirement to undertake environmental impact assessments is included in the legal system of many countries. However, this requirement mainly applies to projects and not policies, plans and programmes. It is desirable to review national laws and policies to reflect the need to undertake assessments of trade agreements.

16. Assessment should be regarded as a dynamic and continuous process, which promotes policy coordination and coherence between trade and environment ministries, ministries of finance and economy as well as other relevant ministries. The UNEP country studies on the assessment of the impacts of trade liberalization on the specific sectors and the UNEP Reference Manual on the Integrated Assessment of Trade Related Policies are significant contributions to the trade and environment debate. Case studies conducted so far by UNEP have produced valuable results, notably as regards associated impacts of trade liberalization on the environmental and social dimensions, and the need to adopt appropriate policy measure to address such impacts. This greatly contributes to improving the necessary knowledge on trade, environment and development linkages and should consequently be further pursued. Producing a synthesis report drawing conclusions from this set of studies should be considered as a useful follow up.

17. Integrated assessments should be used as a tool for policy makers to enhance the net gains of trade and trade liberalization policies by addressing negative environmental impacts and enhancing positive ones.

IV. ECONOMIC INSTRUMENTS

18. Economic instruments can provide effective tools for enhancing the benefits of trade liberalization policies and ensure that trade and environment policies interact in a mutually supportive way. The conference of the parties of a number of MEAs have recognized the importance of such instruments in achieving their objectives. Efforts should be devoted to using economic instruments as part of the policy response package developed following an environmental assessment to achieve mutually supportive trade and environment policies and to achieve the objectives of MEAs.

19. In order to promote the use and application of economic instruments and advance work in this area, it is proposed that UNEP establishes a Working Group under the UNEP/UNCTAD Capacity Building Task Force on Economic Instruments. This Working Group will provide technical support on integrated assessment, assist in the definition of economic instruments, promote awareness and understanding of the use of economic instruments to achieve sustainable development objectives, of

the identification and design of specific economic instruments appropriate for specific sectors, and will address the constraints and impediments to introducing economic instruments at the national level.

V. COHERENCE AT THE INTERNATIONAL LEVEL

20. At the global level, coherence and mutual support between trade and environment regimes needs to be enhanced, in order to build synergies and avoid potential conflicts with the aim of achieving sustainable development, while taking into account developing country concerns. Achieving coherence and coordination at the national level would contribute to enhancing coherence at the international level. More efforts are needed to enhance cooperation and exchange of information between MEAs and between the MEAs and the WTO.

21. Participation of MEAs in relevant WTO bodies would be an important contribution to transparency and coherence at the international level. Exploring synergies between technology transfer provisions of MEAs and the WTO, and comparing compliance and dispute settlement mechanisms in the different regimes were seen as useful starting points in this regard. The relationship between the Convention on Biodiversity (CBD) and the WTO Trade Related Intellectual Property Rights (TRIPS) Agreement should also be considered.

22. The process initiated by UNEP to enhance information exchange and dialogue between MEAs and the WTO Secretariat contributes to increasing the cohesion of global economic and environmental governance, and the mutual supportiveness of the trade and environment regimes. The World Summit on Sustainable Development scheduled to take place in Johannesburg in September 2002, will be an important opportunity to enhance cohesion and coordination both among MEAs, and between MEAs and the WTO, as well as to review progress in international environmental governance reform. In preparation for that event, outputs of this Berlin meeting should also feed into the Open-Ended Intergovernmental Group of Ministers on international environmental governance that will take place in the margins of CSD-9, notably with respect to the issue of coherence among MEAs and between MEAs and the WTO.

VI. CAPACITY BUILDING

23. In order to enable developing countries to address the challenges of developing and implementing mutually supportive environment and trade policies, technical assistance, capacity building and technology transfer need to be provided. This support will contribute to building confidence between developed and developing countries and to help implement sustainable development as outlined in Agenda 21.

24. Capacity building is essential for undertaking assessments, implementing flanking policies, and strengthening the enforcement of national environmental rules and regulations. More country projects similar to the ones conducted by UNEP are required, as well as in-country training, and awareness raising through the convening of national and regional workshops. Special consideration for future country studies needs to be given to least developed countries and small island states.

25. WTO regional seminars on trade and environment and the UNEP-UNCTAD Capacity Building Task Force on trade, environment and development provide valuable capacity-building services, which need to be expanded in this context. Capacity-building should have sustainable development as its overall aim, integrating economic, social and environmental objectives.

VII. FINAL REMARKS

26. Government representatives attending the meeting generally appreciated the role of UNEP in promoting coherence and understanding on the policy interface between environment, trade and

sustainable development. They requested UNEP to continue its work on enhancing countries' capacities to undertake assessments of the effects of trade liberalization, and enhancing awareness and dissemination of best practices and experiences. Regional and sub-regional seminars and workshops and enhanced cooperation with the WTO, UNCTAD and civil society would help strengthen these and other capacity-building activities.

27. Government representatives attending the high-level meeting expressed their appreciation of the opportunity that the forum provided for frank and open dialogue, and supported the convening of future meetings including a higher representation of foreign affairs and trade officials. Participants thanked UNEP and BMU for co-hosting this meeting.
